

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF ECKLAND	County TUSCOLA
Fiscal Year End 3-31-06	Opinion Date 5-3-2006	Date Audit Report Submitted to State 6-12-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☐ ☒ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A		
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name)		Telephone Number		
ANDERSON, TUCKEY, BERNHART & DORAN, P.C.		989-673-3137		
Street Address		City	State	Zip
715 E. FRANK ST.		CARD	MI	48723
Authorizing CPA Signature		Printed Name		License Number
Gary R. Anderson		GARY R. ANDERSON		1101005446

TOWNSHIP OF ELKLAND,
TUSCOLA COUNTY
Cass City, Michigan

Report of Financial Statements
March 31, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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May 3, 2006

REPORT OF INDEPENDENT AUDITOR'S

Township of Elkland
Tuscola County
Cass City, MI 48726

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Elkland as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Elkland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Elkland's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Elkland as of March 31, 2006, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Elkland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combined Balance Sheet - All Fund Types and Account Group March 31, 2006

	<u>GOVERNMENTAL FUND TYPES</u>		<u>NONEXPENDABLE TRUST FUND</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>PERPETUAL CARE FUND</u>
<u>ASSETS</u>			
Cash	\$ 229,890	\$ 1,813	\$ 41,890
Certificates of deposit	177,351	-	30,400
Receivables:			
Accounts			
Other			1,400
Due from other funds	16,104	307	
Prepaid expenses	2,641	21,000	
Property, Plant & Equipment			
Restricted Assets:			
Cash			
Taxes Receivable	-		
TOTAL ASSETS	<u>\$ 425,986</u>	<u>\$ 23,120</u>	<u>\$ 73,690</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts payable		\$ 10,535	
Due to other funds	\$ -		\$ 308
Due to other governmental agencies			
Total	-	10,535	308
Fund Equity:			
Investment in general fixed assets			
Fund balance	425,986	12,585	73,382
Total Fund Equity	425,986	12,585	73,382
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 425,986</u>	<u>\$ 23,120</u>	<u>\$ 73,690</u>

The accompanying footnotes are an integral part of the financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
		MARCH 31, 2006	MARCH 31, 2005
TAX COLLECTION FUND	GENERAL FIXED ASSETS		
		\$ 273,593	\$ 398,839
		207,751	280,471
		-	-
		1,400	1,400
		16,411	19,689
		23,641	23,627
	\$ 869,057	869,057	754,188
\$ 23,988		23,988	1,387
186,535		186,535	256,815
<u>\$ 210,523</u>	<u>\$ 869,057</u>	<u>\$ 1,602,376</u>	<u>\$ 1,736,416</u>
\$ 16,103		\$ 10,535	\$ 20,749
194,420		16,411	19,689
		194,420	240,031
<u>210,523</u>		<u>221,366</u>	<u>280,469</u>
	\$ 869,057	869,057	754,188
		511,953	701,759
-	869,057	1,381,010	1,455,947
<u>\$ 210,523</u>	<u>\$ 869,057</u>	<u>\$ 1,602,376</u>	<u>\$ 1,736,416</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - All Governmental
Fund Types for the Year Ended March 31, 2006

			TOTALS (MEMORANDUM ONLY)	
			MARCH 31,	
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>2006</u>	<u>2005</u>
REVENUES:				
Taxes	\$ 165,850		\$ 165,850	\$ 164,081
License and permits	2,005		2,005	1,630
Intergovernmental	72,130	\$ 41,100	113,230	115,756
Charges for services		45,882	45,882	26,411
Donations		-	-	-
Investment income	4,688		4,688	3,398
Other revenues	7,747	4,030	11,777	2,620
Fire runs		22,983	22,983	11,212
	<u>252,420</u>	<u>113,995</u>	<u>366,415</u>	<u>325,108</u>
TOTAL REVENUES				
EXPENDITURES:				
Legislative	3,962		3,962	3,884
General government	75,692		75,692	71,177
Public safety	15,636	231,464	247,100	105,076
Public works	128,471		128,471	52,317
Recreation and culture	2,000		2,000	1,914
Cemetery operations		76,538	76,538	71,173
Other	24,833		24,833	28,626
	<u>250,594</u>	<u>308,002</u>	<u>558,596</u>	<u>334,167</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>1,826</u>	<u>(194,007)</u>	<u>(192,181)</u>	<u>(9,058)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	280,393	280,393	63,616
Transfers out	<u>(205,000)</u>	<u>(75,000)</u>	<u>(280,000)</u>	<u>(63,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(205,000)</u>	<u>205,393</u>	<u>393</u>	<u>616</u>
EXCESS OF REVENUES & OTHER SOURCES				
OVER (UNDER) EXPENDITURES & OTHER USES	<u>(203,174)</u>	<u>11,386</u>	<u>(191,788)</u>	<u>(8,443)</u>
FUND BALANCE - APRIL 1	<u>629,160</u>	<u>1,199</u>	<u>630,359</u>	<u>638,802</u>
FUND BALANCE - MARCH 31	<u>\$ 425,986</u>	<u>\$ 12,585</u>	<u>\$ 438,571</u>	<u>\$ 630,359</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual -
General and Special Revenue Funds
for the Year Ended March 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 175,000	\$ 165,850	\$ (9,150)
Licenses and permits	2,000	2,005	5
Intergovernmental	60,000	72,130	12,130
Charges for services			
Investment income	4,000	4,688	688
Donations			
Other revenues	300	7,747	7,447
Fire runs			
TOTAL REVENUES	241,300	252,420	11,120
EXPENDITURES:			
Legislative	3,962	3,962	-
General government	82,652	75,692	6,960
Public safety	16,000	15,636	364
Public works	94,500	128,471	(33,971)
Recreation and culture	2,000	2,000	-
Cemetery operations			
Other	23,523	24,833	(1,310)
TOTAL EXPENDITURES	222,637	250,594	(27,957)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,663	1,826	(16,837)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(195,755)	(205,000)	(9,245)
TOTAL OTHER FINANCING SOURCES (USES)	(195,755)	(205,000)	(9,245)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(177,092)	(203,174)	(26,082)
FUND BALANCE - APRIL 1	629,160	629,160	-
FUND BALANCE - MARCH 31	\$ 452,068	\$ 425,986	\$ (26,082)

The accompanying footnotes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 43,100	\$ 41,100	\$ (2,000)
40,100	45,882	5,782
100	-	(100)
8,300	4,030	(4,270)
17,000	22,983	5,983
108,600	113,995	5,395
232,630	231,464	1,166
72,225	76,538	(4,313)
304,855	308,002	(3,147)
(196,255)	(194,007)	2,248
196,255	280,393	84,138
-	(75,000)	(75,000)
196,255	205,393	9,138
-	11,386	11,386
1,199	1,199	-
\$ 1,199	\$ 12,585	\$ 11,386

TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 175,000	\$ 165,850	\$ (9,150)
2,000	2,005	5
103,100	113,230	10,130
40,100	45,882	5,782
4,000	4,688	688
100	-	(100)
8,600	11,777	3,177
17,000	22,983	5,983
349,900	366,415	16,515
3,962	3,962	-
82,652	75,692	6,960
248,630	247,100	1,530
94,500	128,471	(33,971)
2,000	2,000	-
72,225	76,538	(4,313)
23,523	24,833	(1,310)
527,492	558,596	(31,104)
(177,592)	(192,181)	(14,589)
196,255	280,393	84,138
(195,755)	(280,000)	(84,245)
500	393	(107)
(177,092)	(191,788)	(14,696)
630,359	630,359	-
\$ 453,267	\$ 438,571	\$ (14,696)

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31, 2006	2005
OPERATING REVENUES:		
Perpetual care fees	\$ 2,154	\$ 830
Interest income	221	616
	<u>2,375</u>	<u>1,446</u>
TOTAL OPERATING REVENUES		
	<u>-</u>	<u>-</u>
OPERATING EXPENSES		
	<u>-</u>	<u>-</u>
INCOME BEFORE OPERATING TRANSFERS	<u>2,375</u>	<u>1,446</u>
OPERATING TRANSFERS IN (OUT)	<u>(393)</u>	<u>(616)</u>
NET INCOME	1,982	830
RETAINED EARNINGS/FUND BALANCE - APRIL 1	<u>71,400</u>	<u>70,570</u>
RETAINED EARNINGS/FUND BALANCE - MARCH 31	<u><u>\$ 73,382</u></u>	<u><u>\$ 71,400</u></u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Cash Flows -
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31, 2006	2005
Cash flows from operating activities:		
Cash received from customers	\$ 2,154	\$ 830
Interest received	193	588
Increase (decrease) accrued interest receivable	-	-
Transfer to cemetery fund	<u>(1,575)</u>	<u></u>
Net cash provided by operating activities	772	1,418
CASH AT BEGINNING OF YEAR	<u>71,518</u>	<u>70,100</u>
CASH AT END OF YEAR	<u><u>\$ 72,290</u></u>	<u><u>\$ 71,518</u></u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Reconciliation of Net Income to Net Cash

Nonexpendable Trust Fund -

Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	2006	2005
Net Income	\$ 1,982	\$ 830
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in due to other funds	(1,210)	588
Net cash provided by operating activities	<u>\$ 772</u>	<u>\$ 1,418</u>

Disclosure of Accounting Policy:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, demand deposits in banks, and balances of certificates of deposit.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:

The Township of Elkland, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,300 residents in many areas including public works, public safety, community enrichment and development and human services.

The financial statements of the Township of Elkland have been prepared in conformity with U.S. generally accepted accounting principals (GAAP) as applied to government units, except for complying with GASB #34. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Elkland contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

B. FUND ACCOUNTING:

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

PROPRIETARY FUNDS - are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise fund) or to other departments or agencies primarily within the government (internal service fund).

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

B. FUND ACCOUNTING, (Continued):

FIDUCIARY FUNDS - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

ACCOUNT GROUPS – are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

C. BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increased (i.e. revenues) and decrease (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

D. BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

E. CASH AND EQUIVALENTS:

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance; Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. RECEIVABLES:

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

H. RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resource set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

I. FIXED ASSETS:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are value at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

J. LONG-TERM OBLIGATIONS:

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represents tentative plans for future use of financial resources.

L. INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to the Financial Statements

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

M. MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

N. COMPARATIVE DATA:

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complicated and difficult to understand.

O. ESTIMATES:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	BALANCE MARCH 31, <u>2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE MARCH 31, <u>2006</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	34,099			34,099
Equipment	<u>576,910</u>	<u>\$154,869</u>	<u>\$40,000</u>	<u>691,779</u>
TOTAL	<u>\$754,188</u>	<u>\$154,869</u>	<u>\$40,000</u>	<u>\$869,057</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 3 - CASH AND EQUIVALENTS:

Cash and investments are held separately by each of the Township's funds.

DEPOSITS:

At year-end, the carrying amount of the Township's deposits was \$505,332 and the bank balance was \$491,342, \$357,913 of which was covered by federal depository insurance.

INVESTMENTS:

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterpart's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At March 31, 2006, the Township had no Category 1,2 or 3 investments.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2006 are composed of the following:

	<u>CASH & EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>RESTRICTED ASSETS</u>
GENERAL FUND:			
Deposits	\$407,241		
Other Funds:			
Deposits	<u>74,103</u>	—	<u>\$23,988</u>
TOTAL	<u>\$481,344</u>	<u>\$0</u>	<u>\$23,988</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 4 – GASB 34:

The Township chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

NOTE 5 - DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at March 31, 2006 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$16,104	
Special Revenue Fund	307	
Perpetual Care Fund		\$ 308
Trust and agency:		
Current Tax Collection Fund	<u>-</u>	<u>16,103</u>
TOTAL	<u>\$16,411</u>	<u>\$16,411</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2006

NOTE 6 - LEGAL COMPLIANCE - BUDGETS:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to April 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to February 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
8. The General Fund and Cemetery Fund exceeded their budgeted expenditures by \$27,957 and \$4,313 respectively. This is a violation of the PA 621 budget act.

NOTE 7 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied 1.647 mills for operations and 1.0934 mills for Library services on a taxable value of \$85,565,160.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 - TRANSFERS:

The general fund transferred \$110,000 to the cemetery fund and \$95,000 to the fire fund during the current fiscal year. The perpetual care fund transferred \$393 to the cemetery fund during the current fiscal year. The cemetery fund transferred \$75,000 to the fire fund during the current fiscal year.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Schedule of Revenues - Budget and Actual

General Fund

For the Fiscal Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
TAXES:			
Current Property Taxes	\$ 143,000	\$ 142,322	\$ (678)
Delinquent tax	10,000	-	(10,000)
Trailer park tax	3,000	3,192	192
Administrative fee	19,000	20,336	1,336
TOTAL TAXES	<u>175,000</u>	<u>165,850</u>	<u>(9,150)</u>
LICENSES & PERMITS:			
Zoning permits	<u>2,000</u>	<u>2,005</u>	<u>5</u>
Intergovernmental Revenues:			
State Revenue Sharing - Metro	-	2,566	2,566
State Revenue Sharing	<u>60,000</u>	<u>69,564</u>	<u>9,564</u>
Total Intergovernmental Revenue	<u>60,000</u>	<u>72,130</u>	<u>12,130</u>
Investment Income:			
Interest income	<u>4,000</u>	<u>4,688</u>	<u>688</u>
Other Revenue:			
Miscellaneous income	<u>300</u>	<u>7,747</u>	<u>7,447</u>
TOTAL OPERATING REVENUE	<u>\$ 241,300</u>	<u>\$ 252,420</u>	<u>\$ 11,120</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended March 31, 2006

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Legislative:			
Township Board	\$ 3,962	\$ 3,962	\$ -
General Government:			
Township Supervisor	11,252	10,649	603
Assessor	12,000	11,500	500
Treasurer	28,073	24,664	3,409
Clerk	14,600	13,266	1,334
Board of Review	1,450	1,329	121
Elections	1,900	1,151	749
Zoning board	3,577	5,032	(1,455)
Building and grounds	4,800	2,340	2,460
Legal and accounting	5,000	5,761	(761)
TOTAL GENERAL GOVERNMENT	82,652	75,692	6,960
Public Safety:			
Ambulance Services	15,000	14,636	364
Drug enforcement	1,000	1,000	-
TOTAL PUBLIC SAFETY	16,000	15,636	364
Public Works:			
Road maintenance	20,000	37,325	(17,325)
Road construction	65,000	83,285	(18,285)
Road mowing	4,500	3,210	1,290
Drain at large	5,000	4,651	349
TOTAL PUBLIC WORKS	94,500	128,471	(33,971)
Recreation and Culture:			
Park	2,000	2,000	-
Other:			
Other intergovernmental	11,550	13,856	(2,306)
Insurance and bonds	1,000	1,581	(581)
Other general government	6,200	5,042	1,158
Fringe benefits	4,773	4,354	419
TOTAL OTHER EXPENSES	23,523	24,833	(1,310)
TOTAL EXPENDITURES	222,637	250,594	(27,957)
Operating transfer out:			
Fire fund	166,930	95,000	71,930
Cemetery fund	28,825	150,000	(121,175)
TOTAL EXPENDITURES & TRANSFERS OUT	\$ 418,392	\$ 495,594	\$ (77,202)

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combining Balance Sheet - Special Revenue Funds March 31, 2006

			TOTALS (MEMORANDUM ONLY)	
	FIRE FUND	CEMETERY FUND	MARCH 31, 2006	2005
<u>ASSETS</u>				
Cash	\$ -	\$ 1,813	\$ 1,813	\$ -
Due from other funds	-	307	307	1,518
Prepaid expenses	16,500	4,500	21,000	20,430
<u>TOTAL ASSETS</u>	<u>\$ 16,500</u>	<u>\$ 6,620</u>	<u>\$ 23,120</u>	<u>\$ 21,948</u>
<u>LIABILITIES & FUND BALANCE</u>				
Liabilities:				
Accounts payable - bank overdraft	\$ 10,535	\$ -	\$ 10,535	\$ 20,749
Accounts payable	-	-	-	-
Fund Balance:				
Unreserved	\$ 5,965	\$ 6,620	12,585	1,199
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 16,500</u>	<u>\$ 6,620</u>	<u>\$ 23,120</u>	<u>\$ 21,948</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combining Schedule of Revenues, Expenditures
& Changes in Fund Balance - Special Revenue Funds
For the Year Ended March 31, 2006

			TOTALS	
			(MEMORANDUM ONLY)	
	FIRE FUND	CEMETERY FUND	MARCH 31,	
			2006	2005
REVENUES:				
Intergovernmental revenues	\$ 41,100		\$ 41,100	\$ 43,100
Charges for services		\$ 45,882	45,882	26,411
Donations	-		-	-
Miscellaneous revenues	2,862	1,168	4,030	2,609
Fire runs	22,983		22,983	11,212
TOTAL REVENUES	66,945	47,050	113,995	83,332
EXPENDITURES:				
Public safety	231,464		231,464	89,440
Cemetery operations		76,538	76,538	71,173
TOTAL EXPENDITURES	231,464	76,538	308,002	160,613
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(164,519)	(29,488)	(194,007)	(77,280)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	170,000	150,393	320,393	63,616
Operating transfers out		(115,000)	(115,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	170,000	35,393	205,393	63,616
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	5,481	5,905	11,386	(13,665)
FUND BALANCE - APRIL 1	484	715	1,199	14,864
FUND BALANCE - MARCH 31	\$ 5,965	\$ 6,620	\$ 12,585	\$ 1,199

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Fire Fund
For the Fiscal Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental:			
Local Units	\$ 43,100	\$ 41,100	\$ (2,000)
Donations	100	-	(100)
Miscellaneous	5,500	2,862	(2,638)
Fire runs	17,000	22,983	5,983
TOTAL REVENUES	<u>65,700</u>	<u>66,945</u>	<u>1,245</u>
EXPENDITURES:			
Salaries	27,755	28,958	(1,203)
Insurance	16,500	19,162	(2,662)
Telephone	1,700	1,420	280
Gas & Oil	2,500	3,124	(624)
Truck repairs	10,000	5,521	4,479
Training & Education	3,000	3,289	(289)
Supplies	3,500	2,699	801
Dues	500	445	55
Miscellaneous	500	425	75
Utilities	6,000	5,859	141
Repairs – Electronics	1,000	1,166	(166)
Repairs – Building	2,500	2,541	(41)
FICA Expense	675	593	82
Capital outlay	155,000	151,931	3,069
Legal fees	1,500	4,331	(2,831)
TOTAL EXPENDITURES	<u>232,630</u>	<u>231,464</u>	<u>1,166</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(166,930)</u>	<u>(164,519)</u>	<u>2,411</u>
OTHER FINANCING SOURCES:			
Operating transfers in	166,930	170,000	3,070
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>5,481</u>	<u>5,481</u>
FUND BALANCE - APRIL 1	<u>484</u>	<u>484</u>	
FUND BALANCE - MARCH 31	<u>\$ 484</u>	<u>\$ 5,965</u>	<u>\$ 5,481</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Cemetery Fund
For the Fiscal Year Ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Charges for services:			
Sale of Lots	\$ 10,000	\$ 15,525	\$ 5,525
Grave openings	20,000	24,800	4,800
Foundations	10,000	5,557	(4,443)
Annual care	100	-	(100)
Total Charges for Services	40,100	45,882	5,782
Miscellaneous income	2,800	1,168	(1,632)
TOTAL REVENUES	42,900	47,050	4,150
EXPENDITURES:			
Sexton's salary	23,325	23,325	-
Outside labor	18,500	20,279	(1,779)
Backhoe work	5,000	7,925	(2,925)
Taxes -- FICA	2,200	1,784	416
Materials	3,500	1,835	1,665
Repairs	5,500	8,928	(3,428)
Supplies	2,500	3,443	(943)
Telephone	900	744	156
Gas & Oil	1,000	1,390	(390)
Miscellaneous	500	5	495
Utilities	300	162	138
Insurance	5,000	4,700	300
Lots	500	115	385
Cemetery house repair	-	-	-
Health Insurance	-	-	-
Capital outlay	3,500	1,903	1,597
TOTAL EXPENDITURES	72,225	76,538	(4,313)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,325)	(29,488)	(163)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	29,325	110,393	81,068
Operating transfers out	-	(75,000)	(75,000)
TOTAL OTHER FINANCING SOURCES (USES)	29,325	35,393	6,068
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	-	5,905	5,905
FUND BALANCE - APRIL 1	715	715	
FUND BALANCE - MARCH 31	\$ 715	\$ 6,620	\$ 5,905

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Schedule of Changes in General Fixed Assets

For the Year Ended March 31, 2006

	<u>BALANCE MARCH 31, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2006</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	34,099			34,099
Equipment	<u>576,910</u>	<u>\$ 154,869</u>	<u>\$ 40,000</u>	<u>691,779</u>
TOTAL	<u><u>\$ 754,188</u></u>	<u><u>\$ 154,869</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 869,057</u></u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Schedule of Changes in Assets and Liabilities

All Agency Funds

For the Fiscal Year Ended March 31, 2006

	CURRENT TAX COLLECTION FUND		
	BALANCE MARCH 31, 2005	ADDITIONS	DEDUCTIONS
			BALANCE MARCH 31, 2006
<u>ASSETS</u>			
Cash	\$ 1,387	\$ 22,601	\$ 23,988
Taxes Receivable	256,815	2,035,953	186,535
TOTAL ASSETS	\$ 258,202	\$ 2,058,554	\$ 210,523
<u>LIABILITIES</u>			
Due to State	\$ -		\$ 21,905
Due to Tuscola County	73,714	\$ 649,620	53,513
Due to Cass City Schools	119,420	808,359	78,051
Due to Rawson Library	9,481	95,859	8,114
Due to General Fund	18,171	164,725	16,103
Due to Intermediate Schools	36,961	369,484	32,354
Due to Owengage School	455	18,186	483
TOTAL LIABILITIES	\$ 258,202	\$ 2,106,233	\$ 210,523

See the accompanying notes.